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# Charges Of Improper Practices Regarding Two Contracts Between The Office Of Economic Opportunity And Booz, Allen And Hamilton, Inc.

B-175394

Office of Economic Opportunity

B-175394

REL. 10-16-72

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

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AUG 25, 1972



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON DC 20548

B-175394

CHR

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Dear Senator Proxmire

Pursuant to your request of February 24, 1972, we examined charges of improper practices regarding two contracts (B99-4889 and B99-5008) entered into in June 1969 between the Office of Economic Opportunity (OEO) and Booz, Allen and Hamilton, Inc (BAH), a management consulting firm. The charges were made in a letter to you dated February 7, 1972, by Mr. Barry A Willner, an employee of the Center for Study of Responsive Law. Specifically, Mr Willner charged that

- 1 Mr Bruce Stevens, a BAH employee, could not have worked 45 days on contract B99-5008 between June 30 and September 30, 1969, because he worked every day at OEO during this period on contract B99-4889
- 2 Mr Paul Anderson, a White House fellow assigned to the Director, OEO, had initiated contract B99-4889 and had subsequently worked as a BAH employee under this contract

Our review included an examination of selected aspects of both contracts, the BAH time records of Mr Stevens for the period April 4 through October 31, 1969, and the OEO personnel records of Mr Anderson. We interviewed OEO procurement, payroll, and personnel officials, BAH representatives in Washington, D C, and Chicago, Ill, and Mr Willner. However, we did not evaluate the adequacy of OEO's procedures for awarding these contracts, the adequacy of BAH's performance under the contracts, or the reasonableness of the payments made by OEO to BAH.

We found that Mr Stevens worked on both contracts during the period June 30 to September 30, 1969, and that the BAH time charge of 45 days for Mr Stevens on contract B99-5008 was generally supported by his time records. We also found that Mr Anderson had originated the procurement request which had resulted in contract B99-4889 but that he had not signed the contract. Further, we found no evidence indicating that Mr Anderson had worked under contract B99-4889 as a BAH employee.

BACKGROUND

Both contracts entered into in June 1969 between OEO and BAH were negotiated firm-fixed-price contracts

The first, B99-4889, entered into on June 13, 1969, in the amount of \$15,000, was for a detailed review and analysis of OEO's management aspects and had a scheduled completion date of July 30, 1969. Two modifications were made to this contract. The first modification, effective July 30, 1969, extended the contract performance period to October 31, 1969, and increased the amount of the contract to \$25,000. The second modification, effective September 30, 1969, provided for completion of work effective that date and deleted the requirement for submitting a final written report. OEO's General Counsel informed us that BAH's written reporting obligation had been satisfied by a letter report dated July 14, 1969, summarizing the results of BAH's study to that time. In addition to submitting this letter report, BAH, throughout the contract period, periodically presented its findings and recommendations informally to the Director and other OEO personnel.

Although on June 11, 1969, Mr Anderson originated the procurement request<sup>1</sup> which resulted in contract B99-4889, the contract was negotiated and signed by an OEO contracting officer, who cited in his Determination and Findings, dated June 10, 1969, the following reasons for awarding the contract to BAH (1) BAH had been gratuitously providing management assistance to OEO and (2) it would have taken any other contractor considerable time to develop needed background information already known to BAH. OEO payments under this contract to BAH for services rendered amounted to \$22,769. In a letter dated June 14, 1972, BAH advised us that \$19,180 of the \$22,769 charged was for professional services and that the remaining \$3,589 was for expenses, such as transportation, subsistence, and telephone.

OEO's Director of Procurement, in a letter to us dated June 19, 1972, stated that (1) in keeping with the second

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<sup>1</sup>The procurement request was countersigned by an official of OEO's Finance Division on June 11 and by the contracting officer on June 20, 1969. The only source suggested on the request form was BAH.

modification, which specified that charges under contract B99-4889 not exceed \$25,000, OEO and BAH had mutually agreed to a payment of \$22,769, (2) this reflected an acceleration of the date for completing performance from October 31 to September 30, 1969, (3) the reduction in contract price constituted a downward revision of the scope of the work under the contract, and (4) the \$22,769 had been considered fair and reasonable payment.

The second contract, B99-5008, entered into on June 30, 1969, in the amount of \$300,000, called for BAH to perform a comprehensive analysis of the leadership, organization, and management of 35 neighborhood centers which were associated with 25 community action agencies. This contract was terminated on September 30, 1969, by the Director, OEO, who stated that such termination was in OEO's best interest. Charges submitted and certified as incurred costs by BAH and paid by OEO totaled \$41,827, as follows:

	<u>Total days charged to contract</u>	<u>Rate per day (note a)</u>	<u>Amount</u>
Professional staff			
Three officers	22 0	\$455	\$10,010
One project executive (Mr. Stevens)	45 0	315	14,175
One senior consultant	45 0	245	11,025
One consultant	2 5	210	525
Three management aides	6	105	<u>630</u>
			<u>36,365</u>
Other expenses			
Travel	-	-	3,033
Subsistence	-	-	1,264
Communications, etc	-	-	<u>1,165</u>
			<u>5,462</u>
Total			<u>\$41,827</u>

<sup>a</sup>These rates, which according to OEO records include BAH's direct labor and overhead charges, are the same as those submitted by BAH in its bid proposal for contract B99-5008

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On March 25, 1970, OEO's Procurement Division requested OEO's Mid-Atlantic Regional Auditor to audit contract B99-5008. The Procurement Division canceled the request for the audit on May 26, 1970. An OEO procurement official informed us that the request had been withdrawn because the OEO Audit Division had a backlog of work and that because of the backlog, contracts of less than \$100,000 were not normally audited. He also informed us that an audit of contract B99-4889 had not been requested because it was a firm-fixed-price contract and because the services contracted for had been received.

OEO's Director of Procurement, in his letter to us dated June 19, 1972, stated that it was the OEO contracting officer's position that the settlement under contract B99-5008 was fair, reasonable, and equitable.

#### REVIEW OF MR STEVENS' TIME CHARGES

Mr Stevens' time records for the period June 30 through September 30, 1969, showed that Mr Stevens had charged time to contracts B99-4889 and B99-5008, other OEO-related projects, non-OEO-related projects, and a number of BAH internal administrative accounts. A summary of Mr Stevens' weekly time charges during this period follows:

<u>Week ended</u>	<u>Hours charged to contract B99-4889</u>	<u>Hours charged to contract B99-5008</u>	<u>Hours charged to other BAH accounts</u>	<u>Total hours charged for week</u>
7- 4-69 <sup>a</sup>	31	-	16	47
7-11-69	20	11	25	56
7-18-69	35	28	9	72
7-25-69	-	5	3	8
8- 1-69	24	16	25	65
8- 8-69	20	20	21	61
8-15-69	16	28	22	66
8-22-69	29	17	15	61
8-29-69	15	14	4	33
9- 5-69	24	17	6	47
9-12-69	16	29	20	65
9-19-69	26	26	11	63
9-26-69	24	26	18	68
9-30-69 <sup>b</sup>	-	-	29	29
Total	<u>280</u>	<u>237</u>	<u>224</u>	<u>741</u>
	(40 days) <sup>c</sup>	(33 86 days) <sup>c</sup>	(32 days) <sup>c</sup>	(105 86 days) <sup>c</sup>

<sup>a</sup>Partial week covering the 5-day period, June 30 through July 4, 1969

<sup>b</sup>Although this workweek ended October 3, 1969, Mr Stevens submitted a time report on September 30

<sup>c</sup>Computed on the basis of the BAH normal 7-hour workday

Our analysis of Mr Stevens' charges of 741 hours for the period June 30 through September 30, 1969, showed that 10 or more hours had been charged in a single day on 54 occasions, including 5 days of 16 hours each, 8 days of 15 hours each, and 7 days of 14 hours each. Thereby Mr Stevens charged the equivalent of at least 2 workdays in a single day on 20 occasions. We discussed with OEO officials how productive he might have been and whether the Government had received full

value for his services under these circumstances OEO officials advised us that it was not uncommon for a consultant to work more than 7 or 8 hours in a workday and that OEO was satisfied with Mr. Stevens' performance during the period June 30 through September 30, 1969 A BAH official informed us that Mr Stevens had been paid at a yearly salary rate of about \$24,000 and that he received no additional remuneration for time charged in excess of 7 hours a day, or 35 hours a week

From June 30 through September 30, 1969, Mr Stevens' direct charges to contract B99-5008 amounted to 237 hours, or 33 86 days Between September 27 and October 31, 1969, he charged 90 hours, or 12 86 days, to BAH's internal administrative accounts A BAH vice president informed us that these time charges (12 86 days) were for the time Mr Stevens spent on the termination aspects of the contract A summary of his time charges for work performed in relation to contract B99-5008 follows.

	<u>Days</u>
Time charged directly for program work under the contract B99-5008 (6-30-69 to 9-30-69)	33 86
Time charged (under BAH administrative codes) for termination aspects of B99-5008 (9-27-69 to 10-31-69)	<u>12 86</u>
Total	<u>46.72</u>
BAH time charges to OEO for Mr Stevens' time under contract B99-5008	45 00

BAH officials stated that 45 days had been entered on their final settlement invoice to OEO rather than the actual time charges of Mr Stevens because the invoice had been prepared to reflect a negotiated termination settlement

Because both BAH contracts with OEO were firm fixed price, there was no requirement in the contracts that an OEO official approve Mr Stevens' time charges. Therefore there was no independent verification that Mr Stevens had actually worked the number of hours shown. It should be noted, however, that at the time these charges were being recorded, there was no apparent incentive on Mr Stevens' or BAH's part to record a large number of hours as charges against these contracts. Under fixed-price contracts the Government pays for a final product and it is normally not concerned with the amount of costs the contractor incurs. The number of hours charged for contract B99-5008 became a factor only after OEO decided to terminate, the negotiated settlement was based on BAH time charges and other incurred costs.

MR ANDERSON'S EMPLOYMENT HISTORY

Mr Willner, in his letter, stated that Mr Anderson had been the originator and project manager of contract B99-4889 and that subsequently Mr Anderson had worked as a BAH employee during the last month of the contract. Mr Willner also stated that to have done so meant that Mr Anderson had signed a contract as an OEO official to procure his own services as a consultant.

Our review of OEO personnel records and interviews with BAH and OEO officials revealed that

- 1 Mr Anderson left his employment with BAH on September 1, 1968, to become a White House fellow and did not return to BAH as an employee until October 27, 1969.
- 2 Mr Anderson originated a procurement request on June 11, 1969, which culminated in contract B99-4889. The procurement request was subsequently reviewed and approved by an official of OEO's Finance Division and an OEO contracting officer, who stated that the request had been approved by OEO's Office of General Counsel. An OEO contracting officer signed contract B99-4889.

- 3 Mr Anderson worked 17 days as an independent \$100-a-day consultant to OEO between September 11 and October 4, 1969

A BAH official advised us that BAH had made no charges for Mr Anderson to either contract B99-4889 or B99-5008 because he was not a BAH employee anytime during the period of June through September 1969

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Because of the significant amount of funds OEO spends each year on contracts with private firms, we previously made a comprehensive review of OEO contracting policies, practices, and procedures. We issued three reports to the Congress on the results of our previous reviews: (1) Contract Award Procedures and Practices of the Office of Economic Opportunity Need Improving (B-130515, December 15, 1971), (2) Improvements Needed in the Administration of Contracts for Evaluations and Studies of Antipoverty Programs (B-130515, December 28, 1971), and (3) Improvements Needed in Training and Technical Assistance Services Provided to Antipoverty Agencies (B-130515, April 26, 1972)

In these reports we identified a number of OEO contracting weaknesses and made a number of recommendations for improving OEO contract administration. OEO has informed us that a number of positive measures have been undertaken, including the appointment in July 1971 of a high-level task force to help improve and strengthen OEO's contract administration. Copies of these reports are enclosed.

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OEO and BAH officials have not been given an opportunity to formally examine and comment on this report

Mr Willner's letter is enclosed as you requested

Sincerely yours,

**(SIGNED) ELMER B. STAATS**

Comptroller General  
of the United States

Enclosures - 4

The Honorable William Proxmire  
United States Senate